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BEFORE THE
Federal Communications Commission
WASHINGTON, D. C.

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Implementation of Sections of the
Cable Television Consumer Protection
and Competition Act of 1992

Rate Regulation

MM Docket No. 92-266

SUPPLEMENT TO EMERGENCY MOTION FOR PARTIAL EXTENSION OF TIME

On November 12, 1993, Tele-Communications, Inc. ("TCI") filed with the Commission an Emergency Motion for Partial Extension of Time ("Motion"), requesting until December 1, 1993, to file final FCC Forms 393 pursuant to the Commission's July 27, 1993, Order in the above-captioned proceeding.¹ TCI hereby files this supplement to the Motion.

TCI has experienced a number of problems, which are described in detail below and in the attached letter from KMPG Peat Marwick, which is assisting TCI in preparation of the Forms 393, that rendered it unable to file complete, accurate and certified Forms with the Commission by November 15, 1993. On December 1, TCI filed 18 Forms 393 with the FCC. Despite its best efforts, however, TCI was unable on December 15 to file all the Forms 393 that were due. Rather than file incomplete or inadvertently inaccurate Forms, TCI determined that the best

¹ Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1992, Order, MM Docket No. 92-266, FCC 93-372 (rel. July 27, 1993).

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course would be to continue to work diligently to file final Forms at the earliest date it was able to do so.

The problems TCI has experienced are start-up problems associated with the task of reorienting the way it compiles, organizes and reports data about its business in a regulated environment. TCI has undertaken several measures, which are described below, to alleviate these start-up problems. TCI has begun to make significant headway toward eliminating the backlog of Forms 393. Moreover, the number of new Forms 393 that it is required to file, while continuing to grow daily, has slowed after the initial heavy volume. For these reasons, TCI believes it will have filed all the Forms 393 that are due at the Commission by January 14, 1993, and, on a going forward basis, will be able to meet its obligations to file such Forms in a timely fashion.

The specific problems that TCI faced include the following:

- 1) In order to restructure its rates by September 1, 1993, pursuant to the Commission's regulations, TCI made a company-wide assumption about the depreciation level of converter boxes for purposes of Schedule C (Capitalized Costs of Leased Equipment) of Form 393. However, when it started to make the necessary calculations on a franchise-by-franchise basis, it discovered that the variations among systems were so significant that a company-wide assumption was invalid. In order to correct this mistake, TCI was required to reassess its depreciation estimates on a system-by-system basis and recalculate all its Schedules C.

This problem required considerable time and resources and substantially delayed the filing of TCI's Forms 393.

2) In the past five years, TCI has acquired approximately 50 percent of its current subscriber base through acquisitions of other cable companies. When TCI acquired those systems, it did not separately account for the useful lives of cable television plant, converters, remote control devices and other equipment. In the regulatory environment then extant, and under generally accepted accounting principles, there was no reason for TCI to keep separate accounting. In order to comply with the Commission's regulations, TCI was required, for each of the individual systems in which this problem existed, to manually separate out and calculate the depreciated value of the regulated equipment. This was an extraordinarily complicated and time-consuming task. This problem is discussed in detail in the attached letter from KMPG Peat Marwick.

3) Similarly, for its historic systems, TCI categorized certain asset amounts on a composite basis. For example, the category of "Converters" includes standard, addressable and remote control devices. Although the cost of these equipment categories varies significantly, the accounting system does not separately track those costs. Thus, TCI was required, on a system-by-system basis, to undertake the complex and time-consuming process of allocating appropriate amounts for each of these categories. This problem is discussed in detail in the attached letter from KMPG Peat Marwick.

4) TCI did not have enough trained personnel to handle the amount of work required to complete the Forms 393. In retrospect, TCI should have hired additional personnel early in this process. But the regulatory regime TCI was responding to was completely new and it simply did not anticipate the amount of resources that would be required. In order to address its lack of resources, TCI has hired 2-3 new people in each of its five cable Divisions (this is in addition to the Division personnel who previously have been working on the Forms), six new people at its corporate headquarters, and five new people on a contract basis. In addition, TCI has underway an extensive training program to teach its personnel to properly and efficiently compute Forms 393. Personnel in each of its Divisions have already or shortly will undergo approximately 10 days of training at the corporate headquarters.

5) As discussed in detail in the attached letter from KMPG Peat Marwick, the computer accounting system TCI used to compute its Forms was inadequate for that purpose. For example, the payroll accounting system does not distinguish among different tasks performed by system personnel. Thus, TCI was required to survey personnel at every system to determine the percentage of time spent on installation, maintenance, etc. In addition, the computer program runs on a loop system so that every time TCI adds new data for a single system, the computer must run the entire loop recalculating the Forms for all TCI systems. This takes approximately 40 minutes and during that time no new data

can be entered and no Forms for other systems can be computed. In order to remedy these problems, TCI is retaining an expert computer programmer to create a more flexible, reliable and efficient program. TCI believes the new program will improve the timeliness of its filing Forms 393.

6) A significant amount of TCI's time was spent responding to Forms 329 that were later found to be defective. TCI had begun work on its response to 72 Forms 329 before it was notified that they were defective. TCI believes that approximately 10 percent of its time has been spent on responding to defective Forms 329.

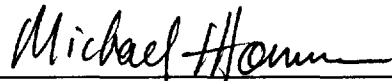
7) The data TCI requires to compute the Forms 393 are kept at different corporate locations. For example, data relating to the number of converters or remote control devices in the field are kept at the system level. However, data on the value of such equipment are kept in TCI's corporate offices in Denver, Colorado. In order to respond to the Commission's regulations, TCI was required to impute the collective data down to the system level. That process was extraordinarily complicated and time-consuming and contributed substantially to the delay in TCI filing Forms 393.

To the best of its knowledge, on December 9, 1993, TCI had 295 FCC Forms 393 due at the Commission and it had filed 124 such Forms. In addition, to the best of its knowledge, on December 9, 1993, TCI had 207 Forms 393 due at franchise authorities and it has filed 172 such Forms. TCI has received extensions of time

from its franchise authorities for almost all of the remaining Forms 393.

Because the problems cited above are primarily start-up difficulties caused by the transition to a new regulated environment, and because it has taken significant steps to remedy these problems, TCI believes on a going forward basis it will be able to file Forms 393 in a timely fashion. TCI respectfully requests the Commission to grant it an extension until no later than January 14, 1994, to clear up its backlog of Forms 393. In the interim, TCI will continue to work diligently to file its Forms 393 as soon as possible.

Respectfully submitted,
TELE-COMMUNICATIONS, INC.

A handwritten signature in cursive script, reading "Michael H. Hammer", is written over a horizontal line.

Philip L. Verveer
Michael H. Hammer

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December 10, 1993



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December 10, 1993

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To Whom It May Concern:

We were asked by Tele-Communications, Inc. (TCI or the Company) to provide this letter in response to inquiries made by the Federal Communications Commission (FCC) relating to TCI's preparation and filing of FCC Form 393 (Form 393) for determining the initial permitted rates for regulated cable programming services and equipment.

We were engaged by TCI in August 1993 to assist in reviewing and analyzing the information being compiled to determine the initial permitted rates for cable programming services and equipment pursuant to Form 393 for all of TCI's approximate 4,200 cable television systems. Prior to our being engaged, TCI had already committed significant personnel and computer system resources to the preparation of the Form 393s.

Our involvement was requested by TCI because certain of the information and interpretations required to complete the Form 393s created issues and problems because TCI's current accounting system was not designed to capture the detail and types of information required to complete the Form 393s. The following are examples of certain of these issues:

- TCI's current payroll accounting system does not capture the hourly details of tasks performed by its system personnel. As such, it was necessary for TCI to survey system personnel at all of its systems to determine the percentage of each individual's time spent on installation, maintenance, etc. for purposes of completing Schedule B of Form 393. Many survey responses necessitated follow up inquiries.
- TCI's fixed asset system categorizes asset amounts on a composite basis. One of these categories is "Converters" which includes standard converters, addressable converters, and remote control devices. The accounting system was not designed



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to separately track these three equipment categories. The costs of this equipment varies significantly between standard converters, addressable converters, and remote control devices.

Because of the differing permitted rates to be charged for each category of equipment, it was necessary for TCI to allocate appropriate amounts included in the Converter account among the three equipment categories for each cable television system based upon units in service (as discussed below).

TCI has not, to date, maintained inventory records relating to units in service at each of its cable television systems, which is required to complete Column I (Total Number of Units in Service) of Schedule C (Capitalized Costs of Leased Equipment) of Form 393. It was necessary for TCI to compile this information manually through individual system monthly billing reports and schedules prepared by system personnel.

- During the past several years, the Company has made many cable television system acquisitions. The purchase price for many of these acquisitions had only been allocated to the cable system assets of the individual cable television systems in total. Additional accounting entries had not been recorded at a level of detail to distinguish between cable television facilities (depreciated over 15 years) and converters and remote control devices (depreciated over 5 years). Also, since most of these acquisitions did not result in a new tax basis of assets, it was not necessary to capture the information at a more detailed level for income tax return preparation purposes.

Because of this method of recording acquired cable television systems, problems were encountered in completing Column B (Gross Book Value), Column C (Accumulated Depreciation), and Column H (Annual Depreciation Expense Provision on Investment) of Schedule C (Capital Costs of Leased Customer Equipment) of Form 393. As a result, a significant number of prior cable television system acquisition appraisals had to be reviewed and purchase prices allocated among cable television plant, standard converters, addressable converters, and remote controls. These procedures have been the most time consuming and are still in process today.

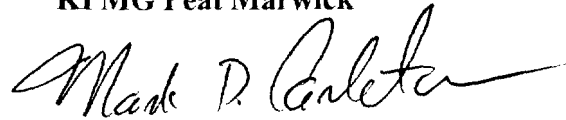
The deadlines for completing the Form 393s were known well before the required filing dates, however the problems in interpreting the instructions to the Form and the complexities of the compilation process were much more time consuming than was originally expected. While TCI has increased its internal staff dedicated to completing

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these Form 393s, many of the procedures require significant manual calculations and verification which increased the time needed to revise these forms for the final set of FCC clarifications. As a Firm, we have performed consulting services for several other cable television companies in relation to the completion of Form 393 and encountered many of the same issues that TCI has faced. Most cable television system operators were grossly unprepared, both from a personnel and an accounting system standpoint, to deal with the effects of the current regulation. The large number of TCI's cable television systems and the volume of individual cable television system information required by the FCC merely exacerbated the problem of completing the Form 393s in an accurate and timely manner.

Very truly yours,

KPMG Peat Marwick

A handwritten signature in black ink, appearing to read "Mark D. Carleton", with a long, sweeping horizontal stroke extending to the right.

Mark D. Carleton, Partner